

COMPLIANCE AUDIT

Bristol Township Non-Uniformed Pension Plan Bucks County, Pennsylvania For the Period January 1, 2015 to December 31, 2017

January 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Township Council
Bristol Township
Bucks County
Bristol, PA 19007

We have conducted a compliance audit of the Bristol Township Non-Uniformed Pension Plan for the period January 1, 2015 to December 31, 2017. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit.

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation. Employer contributions that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan. We also tested individual employee contributions for 13 of 41 active employees employed during the audit period amounting to \$27,475 of the total employee contributions of \$103,009 for 2015, \$28,299 of the total employee contributions of \$109,569 for 2016 and \$29,914 of the total employee contributions of \$129,231 for 2017, made during the audit period.¹
- We determined whether retirement benefits calculated for both of the plan members who retired during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- We determined whether the January 1, 2013, January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 2016 and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.
- We determined whether the terms of the contractual agreement with the Pennsylvania Municipal Retirement System were in accordance with the plan's governing document, if separately stated, and applicable laws and regulations by comparing the terms of the contractual agreement with the plan's governing document, if separately stated, and applicable laws and regulations.

¹ We selected employees randomly from the population of active employees during the current audit period in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

The Bristol Township Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Bristol Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Bristol Township Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Bristol Township and, where appropriate, their responses have been included in the report.

January 16, 2019



EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Bristol Township Non-Uniformed Pension Plan is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Bristol Township Non-Uniformed Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 2011-02, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established January 1, 2011. Active members are required to contribute 1 percent of compensation to the plan, but may optionally contribute up to, but not more than 9 percent of their compensation to the plan. The municipality is required to contribute 1 percent of compensation for each member, plus a percentage equal to the contributions of the member, up to a maximum municipal contribution of 5 percent of compensation. As of December 31, 2017, the plan had 40 active members, 7 terminated members eligible for vested benefits in the future, and 26 retirees receiving pension benefits.

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Bristol Township has complied with the prior audit recommendations concerning the following:

- Allocation Of State Aid In Excess of Entitlement

Municipal officials allocated the \$63,808 of excess state aid to their police pension plan.

- Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Municipal officials allocated the excess municipal contributions that were held in the municipal reserve account to fund the plan's financial requirement of the plan (FRP) before contributing additional state aid and general municipal amounts as recommended.

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 3 through 5 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 194,791	\$ 194,014
Interest	266,574	280,378
Difference between expected and actual experience	(61,520)	(86,380)
Changes of assumptions	-	16,453
Benefit payments, including refunds of member contributions	(416,448)	(198,779)
Net Change in Total Pension Liability	<u>(16,603)</u>	<u>205,686</u>
Total Pension Liability – Beginning	5,171,890	5,155,287
Total Pension Liability – Ending (a)	<u><u>\$ 5,155,287</u></u>	<u><u>\$ 5,360,973</u></u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 94,343	\$ 13,340
Contributions – PMRS assessment	-	1,520
Contributions – member	101,949	103,009
PMRS investment income	282,910	298,000
Market value investment income	(2,986)	(353,084)
Transfers	(5,156)	-
Benefit payments, including refunds of member contributions	(416,448)	(198,779)
PMRS administrative expense	(1,500)	(1,520)
Additional administrative expense	(10,849)	(12,423)
Net Change in Plan Fiduciary Net Position	<u>42,263</u>	<u>(149,937)</u>
Plan Fiduciary Net Position – Beginning	5,347,856	5,390,119
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 5,390,119</u></u>	<u><u>\$ 5,240,182</u></u>
Net Pension Liability – Ending (a-b)	<u><u>\$ (234,832)</u></u>	<u><u>\$ 120,791</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.56%	97.75%
Estimated Covered Employee Payroll	\$ 1,852,666	\$ 1,888,016
Net Pension Liability as a Percentage of Covered Employee Payroll	(12.68%)	6.40%

* 2014 Employer contributions include \$1,500 administrative expenses. 2015 Employer contributions exclude \$77,685 allocated from the Municipal Reserve Account and \$43,471 forfeitures available.

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 198,014	\$ 231,385
Interest	288,554	295,452
Difference between expected and actual experience	(47,906)	-
Changes of assumptions	34,807	-
Transfers	-	(10,235)
Benefit payments, including refunds of member contributions	(207,311)	(160,025)
Net Change in Total Pension Liability	<u>266,158</u>	<u>356,577</u>
Total Pension Liability – Beginning	5,360,973	5,627,131
Total Pension Liability – Ending (a)	<u>\$ 5,627,131</u>	<u>\$ 5,983,708</u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 17,384	\$ -
Contributions – PMRS assessment	1,660	1,600
Contributions – member	109,569	129,231
PMRS investment income	306,029	307,359
Market value investment income	138,191	676,912
Transfers	-	(10,235)
Benefit payments, including refunds of member contributions	(207,311)	(160,025)
PMRS administrative expense	(1,540)	(1,560)
Additional administrative expense	(14,993)	(14,135)
Net Change in Plan Fiduciary Net Position	<u>348,989</u>	<u>929,147</u>
Plan Fiduciary Net Position – Beginning	5,240,182	5,589,171
Plan Fiduciary Net Position – Ending (b)	<u>\$ 5,589,171</u>	<u>\$ 6,518,318</u>
Net Pension Liability – Ending (a-b)	<u>\$ 37,960</u>	<u>\$ (534,610)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.33%	108.93%
Estimated Covered Employee Payroll	\$ 1,802,117	\$ 2,088,573
Net Pension Liability as a Percentage of Covered Employee Payroll	2.11%	(25.60%)

* 2016 Employer contributions exclude \$63,808 transferred to the police pension plan, \$7,252 allocated from the Municipal Reserve Account, and \$53,112 forfeitures available. 2017 Employer contributions exclude \$102,154 allocated from the Municipal Reserve Account, and \$3,937 forfeitures available.

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the township as of December 31, 2014 and 2015, calculated using the discount rate of 5.50%, as well as what the township's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability – 12/31/14	\$ 605,514	\$ (234,832)	\$ (1,053,970)
Net Pension Liability – 12/31/15	\$ 1,012,912	\$ 120,791	\$ (751,267)

In addition, the following presents the net pension liability of the township as of December 31, 2016 and 2017, calculated using the discount rate of 5.25%, as well as what the township's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability – 12/31/16	\$ 973,861	\$ 37,960	\$ (876,580)
Net Pension Liability – 12/31/17	\$ 480,817	\$ (534,610)	\$ (1,529,603)

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 147,020
2013	None	112,574
2014	None	92,843
2015	None	47,534
2016	None	35,332
2017	None	98,217

Note: In 2015, the township met the plan's \$91,005 funding requirement through the allocation of \$43,471 in terminated employee forfeitures and liquidation of \$47,534 in excess employer contributions from the municipal reserve account. In 2016, the township met the plan's \$88,444 funding requirement through the allocation of \$53,112 in terminated employee forfeitures and liquidation of \$35,332 in excess employer contributions from the municipal reserve account. Additionally, in 2017, the township met the plan's \$102,154 funding requirement through the allocation of \$3,937 in terminated employee forfeitures and liquidation of \$98,217 in excess employer contributions from the municipal reserve account.

BRISTOL TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

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